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Contact:  
Jay Ziegler  
Helaine Klasky  
(202) 395-3230**

**Administration Releases First Monitoring Report on Foreign Access to Japan's Film Sector**

The Clinton Administration today released its first semi-annual report assessing Japan's implementation of the representations it made to the World Trade Organization (WTO) regarding the openness of its photographic film and paper market. AOur assessment of current market conditions underscores that further Japanese Government efforts to open Japan's film market and foster greater competition in this sector are clearly needed to bring its actions fully in line with Japan's representations to the WTO,@United States Trade Representative Charlene Barshefsky said.

The Administration established the interagency Monitoring and Enforcement Committee, co-chaired by the Office of the U.S. Trade Representative and the Department of Commerce, last February to review implementation of formal representations made by Japan to a WTO panel regarding its efforts to ensure the openness of its market to imports of film. AOur Monitoring and Enforcement Committee has contributed to initial improvements in foreign access to Japan's photographic materials market,@Secretary of Commerce William M. Daley said. AWe will continue to scrutinize Japan's efforts to open these markets in accordance with its WTO representations.@

In its representations to the WTO, Japan claimed that it is implementing policies that promote improved foreign access and does not tolerate unreasonable restraints on competition. In preparing its report, the Committee surveyed the Japanese photographic film and paper market and assessed information and data obtained from U.S. and other foreign film manufacturers and the Japanese Government.

The report shows distinctly different trends in the availability of foreign film in the two main segments of the market. Availability declined slightly in the traditional photospecialty stores, which comprise nearly half of the Japanese film market by sales volume. Competition in this segment of the market continues to be less robust. Meanwhile, the report finds that the availability of foreign film has doubled over the past three years in Anon-traditional@ outlets, such as supermarkets, department stores, convenience stores and other non-photospecialty stores. These stores comprise a segment of the market that is relatively more open and where competition is more vigorous than in the rest of

the photographic materials market. AWhere market forces are evident, foreign access to Japan's photographic materials market is improving,@Secretary Daley said. AAs a result, Japanese consumers are being offered greater choice and lower prices.@"

The report attributes the improved access in non-traditional stores to several factors. Among these are the heightened focus on this issue over the past few years as a result of U.S. trade actions, nascent structural changes in Japan's distribution system, and initial steps by the Japanese Government to address exclusionary business practices in this sector. Continued efforts by Kodak and other foreign film manufacturers to actively market their products in Japan also have played a role. However, the continued use by Fuji and its primary wholesalers of unreasonable business practices that exclude its competitors has contributed to the lack of improvement in access to the traditional photospecialty stores, which remain a key film distribution channel.

AOur report clearly points to the need for more aggressive action by the Japanese Government to ensure that all market access barriers and practices that unreasonably restrict competition in this sector are eliminated. We will continue to press Japan through formal and informal means to reform its archaic distribution structure and address practices that unreasonably restrain trade, @Ambasssador Barshefsky said.

Linking the report's findings to the need for Japan to broaden deregulatory and market-opening steps, Ambassador Barshefsky stated, AThe closed distribution systems and exclusionary business practices in this sector are indicative of the barriers that exist throughout the Japanese economy. Eliminating these barriers will help unleash Japan's vast economic potential to become an engine of growth for the Asia-Pacific region.@"

The report states that the Monitoring and Enforcement Committee will continue to closely scrutinize Japan's actions to ensure that it lives up to its WTO representations and to monitor market access trends in this sector. As part of these efforts, Committee members will visit Tokyo in the coming months to meet with Japanese Government officials, and U.S. and Japanese industry representatives. The group also will continue to work closely with the U.S. Embassy in Tokyo and U.S. industry to gather information on conditions in the market. The Administration will issue its next report in early 1999.

The report cites specific areas where additional action by the Ministry of International Trade and Industry and the Japan Fair Trade Commission is warranted. Among these are steps to improve dissemination of MITI and JFTC guidelines regarding business and distribution practices, ensure that new measures regulating large stores are not allowed to unreasonably restrict competition or to favor small-and medium-sized stores, and intensify JFTC monitoring of Fuji actions, especially tying arrangements and retaliatory threats by Fuji against retailers who promote foreign brands of photographic film or paper.

**NOTE:** *The film monitoring report will be available on the USTR website under the AReports@ section, at [www.ustr.gov](http://www.ustr.gov) and on the Department of Commerce web-site at [www.ita.doc.gov](http://www.ita.doc.gov).*